Unsecured wholesale funding means a liability or general obligation of the Board-regulated institution to a wholesale customer or counterparty that is not secured under applicable law by a lien on assets owned by the Board-regulated institution, including a wholesale deposit.

Wholesale customer or counterparty means a customer or counterparty that is not a retail customer or counterparty.

Wholesale deposit means a demand or term deposit that is provided by a wholesale customer or counterparty.

[79 FR 61523, 61539, Oct. 10, 2014, as amended at 79 FR 78296, Dec. 30, 2014]

§ 249.4 Certain operational requirements.

(a) *Qualifying master netting agreements.* In order to recognize an agreement as a qualifying master netting agreement as defined in § 249.3, a Board-regulated institution must:

(1) Conduct sufficient legal review to conclude with a well-founded basis (and maintain sufficient written documentation of that legal review) that:

(i) The agreement meets the requirements of the definition of qualifying master netting agreement in § 249.3; and

(ii) In the event of a legal challenge (including one resulting from default or from receivership, bankruptcy, insolvency, liquidation, resolution, or similar proceeding) the relevant judicial and administrative authorities would find the agreement to be legal, valid, binding, and enforceable under the law of the relevant jurisdictions; and

(2) Establish and maintain written procedures to monitor possible changes in relevant law and to ensure that the agreement continues to satisfy the requirements of the definition of qualifying master netting agreement in § 249.3.

(b) *Operational deposits.* In order to recognize a deposit as an operational deposit as defined in § 249.3:

(1) The related operational services must be performed pursuant to a legally binding written agreement, and:

(i) The termination of the agreement must be subject to a minimum 30 calendar-day notice period; or

(ii) As a result of termination of the agreement or transfer of services to a third-party provider, the customer providing the deposit would incur significant contractual termination costs or switching costs (switching costs include significant technology, administrative, and legal service costs incurred in connection with the transfer of the operational services to a third-party provider);

(2) The deposit must be held in an account designated as an operational account;

(3) The customer must hold the deposit at the Board-regulated institution for the primary purpose of obtaining the operational services provided by the Board-regulated institution;

(4) The deposit account must not be designed to create an economic incentive for the customer to maintain excess funds therein through increased revenue, reduction in fees, or other offered economic incentives;

(5) The Board-regulated institution must demonstrate that the deposit is empirically linked to the operational services and that it has a methodology that takes into account the volatility of the average balance for identifying any excess amount, which must be excluded from the operational deposit amount;

(6) The deposit must not be provided in connection with the Board-regulated institution's provision of prime brokerage services, which, for the purposes of this part, are a package of services offered by the Board-regulated institution whereby the Board-regulated institution, among other services, executes, clears, settles, and finances transactions entered into by the customer or a third-party entity on behalf of the customer (such as an executing broker), and where the Board-regulated institution has a right to use or rehypothecate assets provided by the customer, including in connection with the extension of margin and other similar financing of the customer, subject to applicable law, and includes operational services provided to a nonregulated fund; and

(7) The deposits must not be for arrangements in which the Board-regulated institution (as correspondent)

holds deposits owned by another depository institution bank (as respondent) and the respondent temporarily places excess funds in an overnight deposit with the Board-regulated institution.

Subpart B—Liquidity Coverage Ratio

§ 249.10 Liquidity coverage ratio.

(a) *Minimum liquidity coverage ratio requirement.* Subject to the transition provisions in subpart F of this part, a Board-regulated institution must calculate and maintain a liquidity coverage ratio that is equal to or greater than 1.0 on each business day in accordance with this part. A Board-regulated institution must calculate its liquidity coverage ratio as of the same time on each business day (elected calculation time). The Board-regulated institution must select this time by written notice to the Board prior to the effective date of this rule. The Board-regulated institution may not thereafter change its elected calculation time without prior written approval from the Board.

(b) *Calculation of the liquidity coverage ratio.* A Board-regulated institution's liquidity coverage ratio equals:

(1) The Board-regulated institution's HQLA amount as of the calculation date, calculated under subpart C of this part; *divided by*

(2) The Board-regulated institution's total net cash outflow amount as of the calculation date, calculated under subpart D of this part.

Subpart C—High-Quality Liquid Assets

§ 249.20 High-quality liquid asset criteria.

(a) *Level 1 liquid assets.* An asset is a level 1 liquid asset if it is one of the following types of assets:

(1) Reserve Bank balances;

(2) Foreign withdrawable reserves;

(3) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the U.S. Department of the Treasury;

(4) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a U.S. government agency (other than the U.S. Department of the Treasury) whose obligations are fully and explicitly guaranteed by the full faith and credit of the U.S. government, provided that the security is liquid and readily-marketable;

(5) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a sovereign entity, the Bank for International Settlements, the International Monetary Fund, the European Central Bank, European Community, or a multilateral development bank, that is:

(i) Assigned a zero percent risk weight under subpart D of Regulation Q (12 CFR part 217) as of the calculation date;

(ii) Liquid and readily-marketable;

(iii) Issued or guaranteed by an entity whose obligations have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions; and

(iv) Not an obligation of a financial sector entity and not an obligation of a consolidated subsidiary of a financial sector entity; or

(6) A security issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a sovereign entity that is not assigned a zero percent risk weight under subpart D of Regulation Q (12 CFR part 217), where the sovereign entity issues the security in its own currency, the security is liquid and readily-marketable, and the Board-regulated institution holds the security in order to meet its net cash outflows in the jurisdiction of the sovereign entity, as calculated under subpart D of this part.

(b) *Level 2A liquid assets.* An asset is a level 2A liquid asset if the asset is liquid and readily-marketable and is one of the following types of assets:

(1) A security issued by, or guaranteed as to the timely payment of principal and interest by, a U.S. government-sponsored enterprise, that is investment grade under 12 CFR part 1 as of the calculation date, provided that the claim is senior to preferred stock; or

(2) A security that is issued by, or guaranteed as to the timely payment